

§ 257.203

part 203, subpart B, to this part, the provisions of this part shall control.

§ 257.203 Calculation of up-front and annual mortgage insurance premiums for H4H program mortgages.

(a) *Applicable premiums.* Any mortgage presented for endorsement under section 257 on or after October 1, 2008, and prior to September 30, 2011, shall be subject to the following requirements:

(1) *Up-front premium.* FHA shall establish and collect a single premium payment not more than 3 percent of the amount of the original insured principal obligation of the H4H program mortgage.

(2) *Annual premium.* In addition to the premium under paragraph (a)(1) of this section, FHA shall establish and collect an annual premium payment in an amount not more than 1.5 percent of the amount of the remaining insured principal balance of the H4H program mortgage.

(b) *Proceeds for payment of the up-front premium.* The up-front premium shall be paid with proceeds from the H4H program mortgage through a reduction of the amount of indebtedness that existed on the eligible mortgage prior to its being refinanced.

Subpart D—Servicing Responsibilities

§ 257.301 Cross-reference.

(a) All of the provisions of 24 CFR part 203, subpart C, covering mortgages insured under section 203 of the Act shall apply to mortgages insured under section 257 of the Act, *except as follows*: 203.664 Processing defaulted mortgages on property located on Indian land; 203.665 Processing defaulted mortgages on property located on Hawaiian home lands; 203.666 Processing defaulted mortgages on property in Allegany Reservation of Seneca Nation of Indians; and 203-670-203.681 Occupied Conveyance.

(b) For the purposes of this subpart, all references in 24 CFR part 203, subpart C, to section 203 of the Act shall be construed to refer to section 257 of the Act. Any references in 24 CFR part 203, subpart C, to the “Mutual Mortgage Insurance Fund” shall be deemed

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to be to the Home Ownership Preservation Entity Fund.

(c) If there is any conflict in the application of any requirement of 24 CFR part 203, subpart C, to this part, the provisions of this part shall control.

§ 257.303 Prohibition on subordinate liens during first 5 years.

(a) *Prohibition on subordinate liens during first 5 years.* Except for FHA loss mitigation actions (e.g., mortgage modifications and partial claims) or as provided in paragraph (b) of this section, a mortgagor shall not, during the first 5 years of the term of the mortgagor’s H4H program mortgage, incur any debt, take any action, or fail to take any action that would have the direct result of causing a lien to be placed on the property securing the H4H program mortgage if such lien would be subordinate to the H4H program mortgage.

(b) *Property preservation exception.* Paragraph (a) of this section shall not prevent a mortgagor on the H4H program mortgage from incurring new mortgage debt secured by a lien on the property securing the H4H program mortgage that is subordinate to the H4H program mortgage if:

(1) The proceeds of the new mortgage debt are necessary to ensure the maintenance of property standards, including health and safety standards;

(2) Repair or remediation of the condition would preserve or increase the property’s value;

(3) The cost of the proposed repair or remediation is reasonable for the geographic market area;

(4) The results of the repair or remediation are not primarily cosmetic;

(5) The repair or remediation does not represent routine maintenance; and

(6) The new mortgage debt is closed-end credit, as defined in § 226.2 of the Federal Reserve Board’s Regulation Z (12 CFR 226.2).

Subpart E—Enforcement Mortgage False Information

§ 257.401 Notice of false information from mortgagor-procedure.

(a) If FHA finds that the mortgagor has made a false certification or provided false information via any means,